

AMENDED IN ASSEMBLY FEBRUARY 20, 2001

CALIFORNIA LEGISLATURE—2001–02 FIRST EXTRAORDINARY SESSION

**ASSEMBLY BILL**

**No. 29**

**Introduced by Assembly Members Kehoe, Cedillo, and Shelley**  
**(Principal coauthors: Assembly Members Cohn, Nakano, and**  
**Wesson)**

**(Coauthors: Assembly Members ~~Cedillo, Nakano, and Wesson~~**  
**~~Calderon, Cardenas, Keeley, and Koretz~~)**

February 5, 2001

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An act to add Chapter 5.3 (commencing with Section 25425) to Division 15 of the Public Resources Code, and to add ~~Section~~ *Sections* 17053.95 and 23650 to the Revenue and Taxation Code, relating to energy conservation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 29, as amended, Kehoe. Energy conservation.

(1) The existing Warren-Alquist State Energy Resources Conservation and Development Act requires the State Energy Resources Conservation and Development Commission to perform specified duties relating to the conservation and development of energy resources.

This bill would require the commission to pay the costs of installation of an interval meter to a small business that voluntarily reduces its electric consumption.

This bill would require the commission to administer a grant program for the replacement of energy inefficient appliances. The bill would require the commission to cooperate with state agencies and local

community-based organizations to open exchange centers that will assist in the pickup of an old appliance and will certify to the commission that the energy inefficient model was or will be destroyed or dismantled in an environmentally sound manner.

The bill would authorize the commission to adopt emergency regulations.

The bill would also require the commission to administer a grant and loan program for eligible construction or retrofit projects, as defined.

(2) The Personal Income Tax Law ~~authorizes~~ *and the Bank and Corporation Tax Law authorize* various credits against the taxes imposed by ~~that law~~ *those laws*.

This bill would provide a credit for a small business for taxable years beginning on or after January 1, 2002, in an amount equal to 30% of the cost of replacing a commercial refrigeration unit with a more energy-efficient model. The bill would provide that if the credit exceeds the “tax” or “net tax,” the excess may be carried over to reduce the “tax” or “net tax” in the following 4 years.

(3) The bill would appropriate \$375,000,000 from the General Fund to the commission to carry out the above conservation programs.

(4) The bill would declare that it is to take effect immediately as an urgency statute.

Vote: <sup>2</sup>/<sub>3</sub>. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Chapter 5.3 (commencing with Section 25425)  
2 is added to Division 15 of the Public Resources Code, to read:

3

4 CHAPTER 5.3. ENERGY CONSERVATION ACT OF 2001

5

6 Article 1. General Provisions

7

8 25425. This chapter shall be known, and may be cited, as the  
9 Energy Conservation Act of 2001.

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11 Article 2. Business Conservation Incentive Plan

12

13 25426. It is the intent of the Legislature in enacting this article  
14 to encourage small businesses to reduce their energy consumption,

thereby saving themselves substantial sums of money and making more electricity available for further expansion of commercial enterprises in this state.

25427. As used in this article, the following terms have the following meanings:

(a) “Commercial refrigeration” means a refrigerator that is not a federally regulated consumer product.

(b) “Energy-efficient model” means an appliance that meets federal Energy Star specifications set forth in \_\_\_\_.

(c) “Interval meter” means a device that measures electricity usage in real time. “Interval meter” also includes net energy metering as defined in Section 2827 of the Public Utilities Code.

~~(b)~~  
(d) “Small business” means any small business as defined in paragraph (1) of subdivision (d) of Section 14837 of the Government Code.

25428. (a) The commission shall reimburse each small business for the cost of installation up to eight hundred dollars (\$800) of an interval meter if the business reduces its electricity usage by not less than 10 percent for one year following the date of installation of the meter, compared to the usage during the preceding 12 months before the date of installation of the meter.

(b) For the purposes of this section, “cost of installation” includes labor and equipment charges imposed by an entity defined in subdivision (d) of Section 9604 of the Public Utilities Code or a publicly owned utility that provides electricity.

### Article 3. ~~Loans and Grants for Energy Efficiency~~ Energy Efficiency Grants

25430. (a) The Legislature finds and declares that California is in the midst of an energy crisis that requires both an increase in the supply of energy and a reduction in demand.

(b) It is the intent of the Legislature to establish a state-sponsored conservation effort to assist California’s families to participate in a solution to the energy crisis by replacing energy inefficient models of appliances and by retrofitting homes and workplaces to reduce energy consumption. These conservation investments are vitally important for California’s long-term well-being.

~~(c) It is also the intent of the Legislature to establish state-sponsored incentives in the form of grants and loans to small businesses, developers, and residential property owners for constructing and retrofitting buildings to be more energy efficient by using design elements, including, but not necessarily limited to, energy-efficient siding, higher rated insulation, and double-paned windows.~~

~~(d)~~

(c) The energy conservation program established under this article is intended to be in addition to, rather than to supplant, any other existing program.

25431. (a) The commission shall administer a grant program for qualified individuals for the replacement of energy inefficient appliances, as provided in subdivision (c), with energy-efficient models.

(b) Any person of low income, as defined in Section 50093 of the Health and Safety Code, is eligible for a grant under the program established under this section. Eligible persons shall also include very low income Section 8 voucher recipients, as defined in Section 50105 of the Health and Safety Code, public housing authorities, and private nonprofit low-income housing corporations.

(c) A grant shall be equal to 50 percent of the actual cost of the energy-efficient model of the appliance not to exceed the following amounts:

(1) Two hundred dollars (\$200) for a room air-conditioner, as defined in subdivision (b) of Section 1601 of Title 20 of the California Code of Regulations.

(2) Six hundred dollars (\$600) for a central air-conditioning heat pump or other central air-conditioner, as described in subdivision (c) of Section 1601 of Title 20 of the California Code of Regulations.

(3) Four hundred dollars (\$400) for a refrigerator or refrigerator freezer, as described in subdivision (a) of Section 1601 of Title 20 of the California Code of Regulations.

(4) Four hundred dollars (\$400) for a clothes washing machine.

(d) The amount of the grant received by the grant recipient shall not be reduced pro rata by any other assistance received by the grant recipient for the purchase of an energy-efficient appliance to replace an energy inefficient model. However, the cumulative

grant shall not exceed 100 percent of the actual cost of the appliance.

(e) *The amount of any grant awarded pursuant to this section to a qualified individual does not constitute income for purposes of calculating the recipient's gross income for the tax year during which the grant is received.*

(f) The commission shall cooperate with state agencies and local community-based organizations to open exchange centers. The staff operating the exchange centers shall do both of the following:

(1) Assist in the pickup of an old appliance.

(2) Certify to the commission that the energy inefficient model was or will be destroyed or dismantled in an environmentally sound manner.

(f)

(g) The commission may contract with ~~an appropriate entity~~ *one or more appropriate entities* to implement and administer this article.

~~Article 4.—Home Building Standards Grant and Loan Program~~

~~25433.—The guidelines developed by the commission pursuant to Section 25495 shall be utilized by the commission for the purpose of determining eligibility for the construction or retrofit projects in Section 25434.~~

~~25434.—(a) (1) A small business or person of low income may apply to the commission to receive a grant for an eligible construction or retrofit project.~~

~~(2) The amount of a grant for an eligible construction or retrofit project shall not exceed \_\_\_\_\_ dollars (\$\_\_\_\_\_).~~

~~(3) A grant shall be made only for an eligible construction or retrofit project that will be as energy efficient as a project that utilizes the standards developed pursuant to Section 25495.~~

~~(4) The amount of the grant received by the grant recipient shall be reduced pro rata by any other assistance received by the grant recipient for the eligible construction or retrofit project.~~

~~(b) (1) A developer of housing for the persons described in subdivision (b) of Section 25431, any residential homeowner or homebuyer, or small business, may apply for a 2 percent low interest loan for an eligible construction or retrofit project.~~

~~(2) The amount of a loan for an eligible construction or retrofit project shall not exceed \_\_\_\_\_ dollars (\$\_\_\_\_\_).~~

~~(3) A loan shall be made only for an eligible construction or retrofit project that will be as energy efficient as a project that utilizes the standards developed pursuant to Section 25495.~~

~~(c) For purposes of this article, the following terms have the following meanings:~~

~~(1) "Eligible construction or retrofit project" means a new or retrofit construction project for a building owned or to be owned by a small business or a residence owned or to be owned by a homeowner that complies with the guidelines developed by the commission pursuant to Section 25495.~~

~~(2) "Person of low income" means a person of low income as defined in Section 50093 of the Health and Safety Code.~~

~~(3) "Small business" means a small business as defined in paragraph (1) of subdivision (d) of Section 14837 of the Government Code.~~

#### *Article 4. Loans and Grants for Construction and Retrofit Projects*

*25433. It is the intent of the Legislature to establish incentives in the form of grants and loans to low-income residents, small businesses, and residential property owners for constructing and retrofitting buildings to be more energy efficient by using design elements, including, but not limited to, energy-efficient siding, insulation, and double-paned windows.*

*25433.5. (a) In consultation with the Public Utilities Commission, the commission shall do both of the following for the purpose of full or partial funding of an eligible construction or retrofit project:*

*(1) Establish a grant program to provide financial assistance to eligible low-income individuals.*

*(2) Establish a 2 percent interest per annum loan program to provide financial assistance to a small business owner, residential property owner, or individual who is not eligible for a grant pursuant to paragraph (1), and whose gross annual income does not exceed one hundred thousand dollars (\$100,000).*

1 (b) (1) The commission shall use the design guidelines  
2 adopted pursuant to Section 25495 as standards to determine  
3 eligible energy-efficiency projects.

4 (2) The award of a grant pursuant to this section is subject to  
5 appeal to the commission upon a showing that the commission  
6 applied factors, other than those adopted by the commission, in  
7 making the award.

8 (3) The grant or loan recipient shall commit to using the grant  
9 or loan for the purpose for which the grant or loan was awarded.

10 (4) Any action taken by an applicant to apply for, or to become  
11 or remain eligible to receive, a grant award, including satisfying  
12 conditions specified by the commission, does not constitute the  
13 rendering of goods, services, or a direct benefit to the commission.

14 (5) The amount of any grant awarded pursuant to this article  
15 to a low-income individual does not constitute income for  
16 purposes of calculating the recipient's gross income for the tax  
17 year during which the grant is received.

18 25434. The commission may contract with one or more  
19 business entities capable of supplying or providing goods or  
20 services necessary for the commission to carry out the  
21 responsibilities for the programs conducted pursuant to this  
22 article, and shall contract with one or more business entities to  
23 evaluate the effectiveness of the programs implemented pursuant  
24 to subdivision (a) of Section 25433.5. The commission may select  
25 an entity on a sole source basis for one or both of those purposes  
26 if the cost to the state will be reasonable and the commission  
27 determines that it is in the best interest of the state.

28 25435. As used in this article, the following terms have the  
29 following meanings:

30 (a) "Eligible construction or retrofit project" means a project  
31 for making improvements to a home or building in existence on the  
32 effective date of the act adding this section, through an addition,  
33 alteration, or repair, which effectively increases the energy  
34 efficiency or reduces the energy consumption of the home or  
35 building as specified by the commission's guidelines under Section  
36 25495. The improvements shall be deemed to be cost-effective.

37 (b) "Low income" means an individual with a gross annual  
38 income equal to or less than 200 percent of the federal poverty  
39 level.



1 (c) “Small business” means any small business as defined in  
2 paragraph (1) of subdivision (d) of Section 14837 of the  
3 Government Code.

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5 Article 5. Small Business Refrigeration Tax Credit

6  
7 25435. The commission shall administer the small business  
8 refrigeration tax credit, as provided for in ~~Section 17053.95~~  
9 Sections 17053.95 and 23650 of the Revenue and Taxation Code.

10  
11 Article 6. Miscellaneous

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13 25436. (1) The commission shall adopt regulations for  
14 purposes of this chapter *initially* as emergency regulations in  
15 accordance with Chapter 3.5 (commencing with Section 11349) of  
16 Part 1 of Division 3 of Title 2 of the Government Code. For  
17 purposes of that chapter of the Government Code, including  
18 Section 11349.6 of the Government Code, the adoption of the  
19 regulations shall be considered by the Office of Administrative  
20 Law to be necessary for the immediate preservation of the public  
21 peace, health and safety, and general welfare.

22 (2) To the extent possible, the commission shall use existing  
23 energy efficiency appliance standards.

24 SEC. 2. Section 17053.95 is added to the Revenue and  
25 Taxation Code, to read:

26 17053.95. (a) For each taxable year beginning on or after  
27 January 1, 2002, there shall be allowed as a credit against the “net  
28 tax,” as defined in Section 17039, a credit for a small business  
29 equal to 30 percent of the cost paid or incurred during the taxable  
30 year for replacing a commercial refrigeration unit with a more  
31 energy-efficient model, not to exceed two thousand dollars  
32 (\$2,000).

33 (b) “Small business” means a small business as defined in  
34 paragraph (1) of subdivision (d) of Section 14837 of the  
35 Government Code.

36 (c) In the case where the credit allowed by this section exceeds  
37 the “net tax,” the excess may be carried over to reduce the “net  
38 tax” in the following year, and the succeeding four years if  
39 necessary, until the credit is exhausted.



SEC. 3. *Section 23650 is added to the Revenue and Taxation Code, to read:*

23650. (a) *For each taxable year beginning on or after January 1, 2002, there shall be allowed as a credit against the "tax," as defined in Section 23036, a credit for a small business equal to 30 percent of the cost paid or incurred during the taxable year for replacing a commercial refrigeration unit with a more energy-efficient model, not to exceed two thousand dollars (\$2,000).*

(b) *"Small business" means a small business as defined in paragraph (1) of subdivision (d) of Section 14837 of the Government Code.*

(c) *In the case where the credit allowed by this section exceeds the "tax," the excess may be carried over to reduce the "tax" in the following year, and the succeeding four years if necessary, until the credit is exhausted.*

SEC. 4. *To the extent data is available, the Franchise Tax Board shall report to the Legislature on or before January 1, 2003, and each year thereafter, regarding the extent of the use of the tax credits established by this act.*

SEC. 5. The sum of three hundred seventy-five million dollars (\$375,000,000) is hereby appropriated from the General Fund to the State Energy Resources Conservation and Development Commission for allocation in accordance with the following schedule:

(a) Fifty million dollars (\$50,000,000) shall be expended for the consumer-based program that fosters the development of emerging renewable technologies in distributed generation applications, as described in paragraph (1) of subdivision (d) of Section 383.5 of the Public Utilities Code. At least twenty-five million dollars (\$25,000,000) of this amount shall be allocated by the commission for photovoltaic technologies, as described in subparagraph (C) of paragraph (2) of subdivision (d) of Section 383.5 of the Public Utilities Code and the remainder shall be allocated by the commission for solar thermal electric, fuel cell technologies that utilize renewable fuels, and wind turbines of not more than 10 kilowatts rated electrical capacity per customer site as described in that subparagraph.

(b) Two hundred million dollars (\$200,000,000) shall be expended in accordance with Section 25431 of the Public

1 Resources Code, for a grant program for qualified individuals for  
2 the replacement of energy inefficient appliances.

3 (c) One hundred million dollars (\$100,000,000) shall be  
4 expended in accordance with Section 25434 of the Public  
5 Resources Code, for a loan or a grant for an eligible construction  
6 or retrofit project.

7 (d) Twenty-five million dollars (\$25,000,000) shall be  
8 expended for the Business Conservation Incentive Plan provided  
9 for in Article 2 (commencing with Section 25426) of Chapter 5.3  
10 of Division 15 of the Public Resources Code.

11 ~~SEC. 4.~~

12 *SEC. 6.* This act is an urgency statute necessary for the  
13 immediate preservation of the public peace, health, or safety  
14 within the meaning of Article IV of the Constitution and shall go  
15 into immediate effect. The facts constituting the necessity are:

16 In order to implement energy conservation programs to address  
17 the energy crisis of the winter of 2001 as soon as possible, it is  
18 necessary that this act take effect immediately.

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